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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
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FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 7013
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
USDOC WASHDC

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E.O. 11652: N/A
TAGS: EMIN, BEXP, BL
SUBJECT: BOLIVIAN-BRAZILIAN COOPERATION AGREEMENT SIGNED
DURING VISIT OF PRESIDENT BANZER TO BRAZIL

1. SUMMARY: BEGIN UNCLASSIFIED: PRESIDENT BANZER ENDED HIS FIVE DAY VISIT TO BRAZIL ON AUGUST 17, AND FINISHED BY SIGNING A JOINT DECLARATION AND SIX AGREEMENTS TO INCREASE ECONOMIC AND POLITICAL COOPERATION. A BIG STEP FORWARD WAS TAKEN IN THE REALIZATION OF NATURAL GAS, UREA, STEEL AND CEMENT SALES BY BOLIVIA TO BRAZIL. BOLIVIA GAVE SUPPORT TO BRAZIL'S CONCEPT OF AN AMAZON PACT AND BRAZIL GAVE SUPPORT FOR PEACEFUL SOLUTION TO BOLIVIA'S DESIRE FOR OUTLET TO THE SEA. END OF SUMMARY.

2. PRESIDENT BANZER'S SECOND VISIT IN 1977 TO BRAZIL STARTED ON FRIDAY AUGUST 12, 1977. BEFORE THE OFFICIAL VISIT STARTED PRESIDENT BANZER STAYED FOR THREE DAYS, FRIDAY 12 THROUGH
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MONDAY 15, IN RIO DE JANEIRO TOURING THE CITY WITH HIS FAMILY. GOB OFFICIAL DELEGATION ACCOMPANYING PRESIDENT BANZER WAS FORMED BY GRAL. GUILLERMO JIMENEZ, MINISTER OF ENERGY AND HYDROCARBONS; MARCELO TERCEROS BANZER, UNDER SECRETARY OF FOREIGN AFFAIRS; JAVIER MURILLO, UNDER-SECRETARY OF FOREIGN POLICY; MIGUEL TEJADA, COORDINATOR OF THE SOUTH-EAST REGIONAL ECONOMIC PLAN; RAUL TEJERINA, CHIEF OF THE

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MILITARY HOUSEHOLD OF THE PRESIDENCY; HERNAN ANTELO, PRESS
DIRECTOR OF THE PRESIDENCY AND ROBERTO PACHECO, DIRECTOR OF
PROTOCOL. BOLIVIAN AMBASSADOR AMBROSIO GARCIA, JOINED THE
DELEGATION IN RIO.

2. PRESIDENT BANZER WAS RECEIVED BY A COMBINED SESSION OF
THE BRAZILIAN NATIONAL CONGRESS WHERE HE DELIVERED A SPEECH
OUTLINING ONCE AGAIN GOB DECISION TO DEMOCRATIZE THE COUNTRY
IN 1980. PRESIDENT BANZER WAS ALSO RECEIVED IN A SOLEMN
SESSION BY THE FEDERAL SUPREME COURT. PRESIDENT GEISEL RECEIVED
PRESIDENT BANZER IN BRASILIA FOR THE FIRT TIME ON AUGUST 15
AND LATER SIGNED A JOINT DECLARATION AND SOME COOPERATION
AGREEMENTS A DAY AFTER THEY HAD BEEN SCHEDULED TO BE SIGNED.
NO OFFICIAL REASON WAS GIVEN FOR THIS DELAY. APPARENTLY SOME
UNKNOWN TECHNICAL PROBLEMS WERE SOLVED AT THE LAST MINUTE.
THE SIX AGREEMENT SIGNED WERE: A TREATY OF FRIENDSHIP
COOPERATION AND COMMERCE; AN AGREEMENT ON MUTUAL ASSISTANCE
TO REPRESS ILLEGAL DRUG TRAFFIC; AN AGREEMENT ON ANIMAL
SANITATION IN BORDER AREAS; A COMPLEMENTARY ACCORD TO THE
BASIC AGREEMENT OF TECHNICAL COOPERATION IN THE AREAS OF
TELECOMMUNICATIONS AND POSTAL SERVICES AND LASTLY AN
AGREEMENT BY MEANS OF AN INTERCHANGE OF COMPLEMENTARY NOTES
AMENDING THE AGREEMENT OF COOPERATION AND INDUSTRIAL COMPLEMENT-
TION SIGNED IN MAY 1974 AT COCHABAMBA DURING GEISEL'S
VISIT TO BOLIVIA. THE LATTER AGREEMENT WAS SIGNED BUT NEVER
IMPLEMENTED BECAUSE KEY ISSUES SUCH AS THE FUTURE OF BOLIVIAN
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GAS AND STEEL SALES TO BRAZIL WERE NEVER FINALIZED.

3. THE JOINT DECLARATION REFERRED TO THE SIX AGREEMENTS AND
ALSO STATED AGREEMENT BY THE PARTIES TO FREE TRANSIT OF BOLIVIAN
GOODS THROUGH THE AMAZONIAN RIVER SYSTEM. BOLIVIA SUPPORTED
BRAZILIAN POSITION ON THE USE OF RIVERS OF CONTINUOUS COURSE
(APPARENTLY CONTRARY TO THE ARGENTINE POSITION). ANOTHER DECLARA-
TION SUPPORTED THE UNITED NATIONS AND MUTUAL CONSULTATIONS IN
INTERNATIONAL FORA TO ACHIEVE A NEW INTERNATIONAL ECONOMIC
ORDER. BRAZIL SUPPORTED FAIR AND PEACEFUL SOLUTION TO
BOLIVIA'S DESIRE FOR AN OUTLET TO THE SEA. BOTH AGOVERNMENTS
STATED SUPPORT FOR SUBREGIONAL INTEGRATION IN THE CUENCA DEL
PLATA BASED ON THE ACUERDO DE ASUNCION (JUNE 3, 1971).
ALSO BOTH GOVERNMENTS REAFFIRMED CONFIDENCE
IN THE OAS AS AN ORGANIZATION TO MAINTAIN PEACE AND PROMOTE DEVELOP-
MENT IN THE HEMISPHERE. FURTHER THE JOINT DECLARATION RECOGNIZED THE
VALUE OF BRAZILIAN PREFEASIBILITY STUDIES FOR RAIL CONNECTIONS
BETWEEN SANT CRUZ AND COCHABAMBA AND SANTA CRUZ AND PUERTO
SUAREZ, APPROVED SEVEN PROJECTS PRESENTED BY COMITE DE
OBRAS PUBLICAS DE SANTA CRUZ IN AGRICULTURE, WOOD AND CHARCOAL,
PUT INTO EFFECT A $10 MILLION DOLLAR CREDIT FOR STUDIES RELATED
TO DEVELOPMENT OF SOUTHEAST BOLIVIA DEVELOPMENT PLAN ORIGINALLY

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CALLED FOR IN ARTICLE V OF THE ECONOMIC AND TECHNICAL COOPERATION AGREEMENT; RECOGNIZED THE SIGNING OF TWO CREDIT AGREEMENTS IN WHICH BRAZIL SUPPLIES $10 AND $40 MILLION TO BOLIVIAN DEVELOPMENT FUND TO BE USED TO ASSIST POOREST AREAS IN BOLIVIA AND THE DECLARATION NOTED BRAZILIAN INTENTION TO PARTICIPATE IN SANTA CRUZ AND COCHABAMBA COMMERCIAL FAIRS.

4. BASED ON PRESS REACTIONS, BANZER'S VISIT WAS CONSIDERED A STEP FORWARD IN BRAZILIAN-BOLIVIAN RELATIONS AND BRAZIL'S AGREEMENT TO BUY BOLIVIAN GAS AND STEEL IS SEEN AS A NEW DEVELOPMENT IN FUTURE ECONOMIC COOPERATION. BRAZIL HAS ASSURED BOLIVIAN OF A 410,000 METRIC TON (MT) MARKET FOR FUTURE NON-FLAT STEEL PRODUCTION AT MUTUN. THIS NEW FIGURE IS A 210,000 MT INCREASE OVER THE ORIGINAL AGREED
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AMOUNT IN 1974, AND INCREASES THE FEASIBILITY OF THE MUTUN IRON-STEEL COMPLEX. NO SALES OF SPONGE IRON WERE AGREED TO. THE SALE OF 240 MILLION CUBIC FEET PER DAY OF NATURAL GAS WAS RATIFIED. HOWEVER, BOLIVIA WILL HAVE TO BUILD AND FINANCE ON ITS OWN A 500 KILOMETER GAS-LINE FROM SANTA CRUZ TO CORUMBA (BRAZIL). BRAZIL HAS NOT YET DECIDED WHETHER TO CONTINUE THE GAS-LINE ALL THE WAY TO SAO PAULO OR USE THE GAS AT AN INTERMEDIATE LOCATION OR TO USE THE GAS RIGHT IN CORUMBA LOCATED AT THE BRAZILIAN - BOLIVIAN BORDER. GAS PRICE AND SOME OTHER DETAILS WERE LEFT TO BE DECIDED IN FUTURE MEETINGS OF A BILATERAL COMMISSION. NEW PRICES AGREED BETWEEN BOLIVIA AND ARGENTINA (LA PAZ 6542), WILL SET THE STANDRD TO FOLLOW. BRAZILIAN PURCHASE OF 100,00 MT OF UREA WAS ALSO RATIFIED. BRAZIL WILL ALSO CONSIDER, BASED ON ITS NEEDS, THE POSSIBILITY OF BUYING AN EXTRA 200,000 MT OF UREA. BOLIVIA WILL ALSO DELIVER 100,000 MT OF UREA TO BRAZIL IN CORUMBA AND WILL RECEIVE THE SAME AMOUNT OF BRAZILIAN UREA AT BRAZILIAN ATLANTIC PORTS FOR SALE IN INTERNATIONAL MARKETS. POSSIBLE AGREEMENTS ON CEMENT PURCHASES WERE ALSO DISCUSSED AND REPORTEDLY BRAZIL WILL BUY 500 MT/DAY. END UNCLASSIFIED

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SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
DLOS-09 /115 W
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R 072002Z SEP 77
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 7014
INFO AMEMBASSY BRASILIA
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5. COMMENT: POLITICALLY, BANZER MADE VERY EMPHATIC REFERENCE
TO HIS GOVERNMENT'S PLANS TO RETURN BOLIVIA TO DEMOCRATIC AND
CONSTITUTIONAL GOVERNMENT IN 1980. THIS UNDOUBETEDLY IMPROVED
HIS STANDING WITH ANY OPPOSITION CONGRESSMEN IN THE BRAZILIAN
CONGRESS AND THUS PERHAPS ENSURED CONTINUED SUPPORT FOR COOPERATION
WITH BOLIVIA. BRAZIL SUPPORTED A PEACEFUL SOLUTION TO BOLIVIA'S
EFFORTS FOR AN OUTLET TO THE SEA AND IN AN APPARENT QUID PRO QUO
BOLIVIA SUPPORTED BRAZIL'S EFFORTS TO FORM AN AMAZONIAN BASIN PACT
AND HYDROELECTRIC DEVELOPMENT ON PARANA RIVER. PRESIDENT BANZER'S
BRAZILIAN VISIT APPEARS TO GIVE CONCRETE FORM TO THE NEW ERA
OF COOPERATION BETWEEN THE TWO COUNTRIES BEGUN IN 1974. IF THE
AGREEMENTS ARE IMPLEMENTED THE RESULTING INCREASE IN BOLIVIAN
EXPORTS WILL ABOUT DOUBLE THEIR CURRENT VALUE, THUS GIVING
SIGNIFICANT LEVERAGE TO BRAZIL OVER THE BOLIVIAN ECONOMY.
PRESS REPORTS REFERRED TO DIPLOMATIC OBSERVERS WHO SAID THE
JOINT DECLARATION AND AGREEMENTS PLACED BOLIVIA IN THE
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BRAZILIAN SPHERE OF INFLUENCE IN SOUTH AMERICA. IT IS DOUBTFUL
THAT THE GOB SEES IT THAT WAY. RATHER, BOLIVIA, A COUNTRY
BORDERING ON FIVE OTHER SOUTH AMERICAN NATIONS, MAKES EVERY
EFFORT TO INCREASE PEACEFUL INTERCHANGE AND OBTAIN ASSISTANCE
WHERE IT CAN. THREE DAYS AFTER THE RETURN OF BANZER TO BOLIVIA
THERE WERE ARTICLES IN THE LA PAZ PRESS BASED ON STORIES FROM
THE BRAZILIA PRESS THAT SAID A LACK OF AVAILABLE FINANCING FOR
THE BRAZILIAN SIDE OF THE AGREEMENTS, I.E. FINANCING FOR A
GASLINE TO SAO PAULO AND/OR WHAT INDUSTRIES TO DEVELOP TO USE
THE GAS IN CORUMBA, COULD CAUSE DELAYS IN IMPLEMENTING THE
PROJECT. A HIGH LEVEL OFFICIAL AT YPFB TOLD RRA THAT BRAZIL
HAD TO DO SOME SPECIFIC PLANNING BEFORE YPFB COULD TALK ABOUT
GAS PRICE. YPFB HAS TO KNOW HOW MUCH GAS MUST BE DELIVERED WHEN

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AND WHERE. BRAZIL MUST DECIDE IF IT WANTS TO EXPORT BY GASLINE
ALL THE WAY TO SAO PAULO, USE IT IN NEW
INDUSTRIES IN THE CORUMBA
AREA OR IN SOME INTERMEDIATE AREA. YPFB WANTS TO SELL GAS SO IT
INTENDS TO KEEP AFTER THE BRAZILIANS TO GET THEIR PLANNING DONE
AND BEGIN BILATERAL TECHNICAL TALKS. PRESS REPORTS OF AUGUST 26
SAID YPFB AND PETROBRAS WOULD HOLD TECHNICAL TALKS IN RIO
DURING THE FIRST TWO WEEKS OF SEPTEMBER. END LIMITED OFFICIAL USE

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6. ACTION REQUESTED: USDOC IS REQUESTED TO PASS THE UNCLASSIFIED
INFORMATION ABOVE TO HONEY CLARK OF BECHTEL CORP. WHO HAS
SHOWN AN INTEREST IN ENGINEERING AND FINANCING OF GASLINE.
ALSO INFORM CHARLES MCFADDEN, N-REN CORP. MIAMI OF THE
LATEST DEVELOPMENTS IN UREA SINCE THEY ARE INTERESTED IN
JOINT VENTURE WITH YPFB. MCKEE FEASIBILITY STUDY OF MUTUN
IRON/STEEL PROJECT WILL BE FINISHED IN SEPTEMBER (THIS LATEST
BILATERAL AGREEMENT WILL UNDOUBTEDLY HAVE AN EFFECT ON CONCLU-
SIONS) AND EMBASSY WILL CONTINUE TO FOLLOW AND REPORT
ON DEVELOPMENTS IN BOLIVIAN STEEL INDUSTRY. END UNCLASSIFIED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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Review Exemptions: n/a
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Subject: BOLIVIAN-BRAZILIAN COOPERATION AGREEMENT SIGNED DURING VISIT OF PRESIDENT BANZER TO BRAZIL
TAGS: EMIN, BEXP, OVIP, BL, BR, (BANZER SUAREZ, HUGO)
To: STATE
Type: TE
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